

**SOLID WASTE MANAGEMENT COMMISSION  
OF MARSHALL COUNTY**

Independent Auditors' Reports  
Basic Financial Statements and  
Required Supplementary Information  
Schedule of Findings

June 30, 2016 and 2015

# SOLID WASTE MANAGEMENT COMMISSION OF MARSHALL COUNTY

## Table of Contents

	<u>Page</u>
Officials	1
Independent Auditors' Report	2-3
Management's Discussion and Analysis	4-8
Basic Financial Statements:	<u>Exhibit</u>
Statements of Net Position	A      9
Statements of Revenues, Expenses and Changes in Net Position	B      10
Statements of Cash Flows	C      11
Notes to Financial Statements	12-25
Required Supplementary Information:	
Schedule of the Commission's Proportionate Share of the Net Pension Liability	26
Schedule of Commission Contributions	27-28
Notes to Required Supplementary Information - Pension Liability	29
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on Audits of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	30-31
Schedule of Findings	32-33
Staff	34

# SOLID WASTE MANAGEMENT COMMISSION OF MARSHALL COUNTY

## OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Bob Schubert	Chairperson	City of Marshalltown
Dale Thompson	Vice-Chairperson	City of Ferguson
Pat Hemming	Member	City of Albion
Cammie Voss	Member	City of Clemons
Brett Comegys	Member	City of Collins
Earl Otto	Member	City of Colo
Richard Irish	Member	City of Gilman
Vickie Daters	Member	City of Haverhill
Tana Dixon	Member	City of Laurel
Charles Kesterson	Member	City of LeGrand
John Vry	Member	City of Liscomb
Dennis Grabenbauer	Member	Marshall County
Mike McCann	Member	Marshall County
Mike Gowdy	Member	City of Marshalltown
Robert Forbes	Member	City of Marshalltown
Merrill Price	Member	City of Marshalltown
John Cooper	Member	City of Marshalltown
Gary Fricke	Member	City of Melbourne
Gale Klosterman	Member	City of Rhodes
Sam Bryant	Member	City of St. Anthony
Steve Lively	Member	City of State Center
Theresa Valde	Member	City of Whitten
Rodney Oelmann (resigned 9/15/15)	Secretary-Treasurer/Superintendent	
Don Ballalatak (appointed 9/15/15)	Secretary-Treasurer/Superintendent	



C E R T I F I E D   ♦   P U B L I C   ♦   A C C O U N T A N T S

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Independent Auditors' Report

To the Members of the Solid Waste Management  
Commission of Marshall County:

Report on the Financial Statements

We have audited the accompanying financial statements of the Solid Waste Management Commission of Marshall County as of and for the years ended June 30, 2016 and 2015, and the related Notes to Financial Statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Commission's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Solid Waste Management Commission of Marshall County as of June 30, 2016 and 2015, and the changes in its financial position and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

## Other Matters

### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Schedule of the Commission's Proportionate Share of the Net Pension Liability and the Schedule of Commission Contributions information on pages 4 through 8 and pages 26 through 29 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 10, 2016 on our consideration of the Solid Waste Management Commission of Marshall County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Solid Waste Management Commission of Marshall County's internal control over financial reporting and compliance.

*Bowman & Miller, P.C.*

November 10, 2016

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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The Solid Waste Management Commission of Marshall County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal years ended June 30, 2016 and 2015. We encourage readers to consider this information in conjunction with the Commission's financial statements, which follow.

### 2016 FINANCIAL HIGHLIGHTS

- ◆ The Commission's operating revenues increased less than one half of one percent, or \$6,760, from fiscal year 2015 to fiscal year 2016. Gate fees increased while County and City assessments remained the same.
- ◆ The Commission's operating expenses were 5.4%, or \$88,867, more in fiscal year 2016 than in fiscal year 2015.
- ◆ The Commission's net position increased 5.1%, or \$538,331, from June 30, 2015 to June 30, 2016.

### USING THIS ANNUAL REPORT

The Solid Waste Management Commission of Marshall County is a 28E organization and presents its financial statements using the economic resources measurement focus and accrual basis of accounting, which is the same measurement focus and basis of accounting employed by private sector business enterprises. This discussion and analysis is intended to serve as an introduction to the Solid Waste Management Commission of Marshall County's basic financial statements. The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Commission's financial activities.

The Statements of Net Position present information on the Commission's assets and deferred outflows of resources less the Commission's liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Commission is improving or deteriorating.

The Statements of Revenues, Expenses and Changes in Net Position are the basic statements of activities for proprietary funds. These statements present information on the Commission's operating revenues and expenses, non-operating revenues and expenses and whether the Commission's financial position has improved or deteriorated as a result of the year's activities.

The Statements of Cash Flows present the change in the Commission's cash and cash equivalents during the years. This information can assist readers of the report in determining how the Commission financed its activities and how it met its cash requirements.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with the Commission's proportionate share of the net pension liability and related contributions.

## FINANCIAL ANALYSIS OF THE COMMISSION

### *Statements of Net Position*

As noted earlier, net position may serve over time as a useful indicator of the Commission's financial position. The Commission's net position at the end of fiscal year 2016 totaled approximately \$11,170,000. This compares to approximately \$10,630,000 at the end of fiscal year 2015. A summary of the Commission's net position is presented below.

	Net Position	
	June 30,	
	2016	2015
Current assets	\$ 2,596,658	1,946,066
Restricted investments	4,164,494	3,982,818
Other investments	2,787,301	2,765,455
Capital assets at cost, less accumulated depreciation	3,589,603	3,880,294
Total assets	<u>13,138,056</u>	<u>12,574,633</u>
Deferred outflows of resources	<u>39,268</u>	<u>42,169</u>
Current liabilities	79,202	95,253
Noncurrent liabilities	1,885,285	1,794,937
Total liabilities	<u>1,964,487</u>	<u>1,890,190</u>
Deferred inflows of resources	<u>41,346</u>	<u>93,452</u>
Net position:		
Net investment in capital assets	3,589,603	3,880,294
Restricted	3,066,042	2,939,021
Unrestricted	4,515,846	3,813,845
Total net position	<u>\$ 11,171,491</u>	<u>10,633,160</u>

The unrestricted portion of the Commission's net position (40.4%) may be used to meet the Commission's obligations as they come due. The invested in capital assets (e.g. land, buildings, and equipment) portion of net position (32.1%) are resources allocated to capital assets. The remaining net position (27.5%) is restricted for closure and postclosure care, park development, and financial assurance to be able to fund the closure, postclosure and corrective action costs. State and federal laws and regulations require the Commission to place a final cover on the landfill sites and perform certain maintenance and monitoring functions at the landfill sites for a minimum of thirty years after closure.

# *Statements of Revenues, Expenses and Changes in Net Position*

Operating revenues are received for gate fees from accepting solid waste and assessments from the residents of the County. Operating expenses are expenses paid to operate the landfill. Non-operating revenues include interest income. The utilization of capital assets is reflected in the financial statements as depreciation, which allocates the cost of an asset over its expected useful life. A summary of revenues, expenses and changes in net position for the years ended June 30, 2016 and 2015 is presented below.

Changes in Net Position		
	Year ended June 30,	
	2016	2015
Operating revenues:		
Gate fees	\$ 2,046,843	2,037,472
County and city assessments	168,672	168,672
Other operating revenues	9,478	12,089
Total operating revenues	<u>2,224,993</u>	<u>2,218,233</u>
Operating expenses:		
Salaries	361,956	384,953
Employee benefits	79,449	96,299
Machinery maintenance, labor and parts	92,689	50,109
Oil and gas	49,683	73,272
Long range planning and engineering	36,355	32,650
Site maintenance	165,720	55,066
Site utilities	18,548	20,064
Equipment rent	2,325	1,858
Office expenses	12,464	9,390
Training and travel	3,124	3,321
Public education	28,547	32,353
Legal and accounting	22,807	20,768
Insurance	57,196	59,227
Closure and postclosure care	54,655	104,887
Planning and recycling	234,172	228,531
Iowa Department of Natural Resources tonnage fees	119,370	118,774
Depreciation	338,344	299,314
Non-capitalized equipment	9,294	8,891
Payroll taxes	26,083	28,909
Commission expense	1,458	1,282
Retirement expense	14,137	9,918
Miscellaneous	5,012	4,685
Total operating expenses	<u>1,733,388</u>	<u>1,644,521</u>
Operating income	491,605	573,712
Non-operating revenues:		
Interest income	<u>46,726</u>	<u>40,172</u>
Change in net position	538,331	613,884
Net position beginning of year, as restated	<u>10,633,160</u>	<u>10,019,276</u>
Net position end of year	\$ <u><u>11,171,491</u></u>	<u><u>10,633,160</u></u>



The Statements of Revenues, Expenses and Changes in Net Position reflect a positive year with an increase in net position at the end of the fiscal year.

In fiscal year 2016, operating revenues remained virtually unchanged from the prior year – increasing marginally by \$6,760. Operating expenses increased by \$88,867, or 5.4%. The increase was primarily due to increases in both site and equipment maintenance as well as depreciation.

#### *Statements of Cash Flows*

The Statements of Cash Flows present information related to cash inflows and outflows, summarized by operating, capital and related financing and investing activities. Cash provided by operating activities includes gate fees and assessments reduced by payments to employees and to suppliers. Cash used by capital and related financing activities includes the purchase of capital assets. Cash used by investing activities includes the purchase and redemption of certificates of deposit and interest income.

### **CAPITAL ASSETS**

At June 30, 2016, the Commission had approximately \$3,590,000 invested in capital assets, net of accumulated depreciation of approximately \$8,210,000. Depreciation expense totaled \$338,344 and \$299,314 for fiscal years 2016 and 2015, respectively. More detailed information about the Commission's capital assets is presented in Note 3 to the financial statements.

### **LONG-TERM LIABILITIES**

At June 30, 2016, the Commission had \$1,885,285 in long-term liabilities, an increase of \$90,348 from June 30, 2015. Additional information about the Commission's long-term liabilities is presented in Note 4 and Note 5 to the financial statements.

### **ECONOMIC FACTORS**

The Solid Waste Management Commission of Marshall County continued to improve its financial position during the current fiscal year. However, the current condition of the economy in the state continues to be a concern for Commission officials. Some of the realities which may potentially become challenges for the Commission to meet are:

- ◆ Facilities and equipment at the Commission require constant maintenance and upkeep.
- ◆ Technology continues to expand and current technology becomes outdated presenting an ongoing challenge to maintain up to date technology at a reasonable cost.
- ◆ Annual deposits required to be made to closure and postclosure accounts are based on constantly changing cost estimates and the number of tons of solid waste received at the facility.
- ◆ Volatility of the recyclables markets and the effect on net processing cost and product throughput volume
- ◆ Federal and State solid waste legislation and rule revisions and their effect on our current operating costs and long-term closure and postclosure care costs and a dedicated restricted fund to pay for closure and postclosure and corrective costs.
- ◆ New Federal and State mandates require monitoring and control of greenhouse gases.

The Commission anticipates the current fiscal year will be much like the last. They will continue to maintain a close watch over resources to maintain the Commission's ability to react to unknown issues.

## **CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Commission's finances and to show the Commission's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Solid Waste Management Commission of Marshall County, 2313 Marshalltown Boulevard, Marshalltown, Iowa.

# SOLID WASTE MANAGEMENT COMMISSION OF MARSHALL COUNTY

## Statements of Net Position June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>Assets</b>		
Current assets:		
Cash	\$ 2,444,972	1,782,008
Accounts receivable	137,148	146,212
Prepaid insurance	14,538	17,846
Total current assets	<u>2,596,658</u>	<u>1,946,066</u>
Noncurrent assets:		
Restricted investments	4,164,494	3,982,818
Certificates of deposit	2,787,301	2,765,455
Capital assets (net of accumulated depreciation)	3,589,603	3,880,294
Total noncurrent assets	<u>10,541,398</u>	<u>10,628,567</u>
<b>Total assets</b>	<u>13,138,056</u>	<u>12,574,633</u>
<b>Deferred Outflows of Resources</b>		
Pension related deferred outflows	<u>39,268</u>	<u>42,169</u>
<b>Liabilities</b>		
Current liabilities:		
Accounts payable	34,818	40,054
Salaries and benefits payable	15,505	24,199
Accrued liabilities	28,879	31,000
Total current liabilities	<u>79,202</u>	<u>95,253</u>
Noncurrent liabilities:		
Landfill closure and postclosure care	1,638,503	1,583,848
Net pension liability	246,782	211,089
Total noncurrent liabilities	<u>1,885,285</u>	<u>1,794,937</u>
<b>Total liabilities</b>	<u>1,964,487</u>	<u>1,890,190</u>
<b>Deferred Inflows of Resources</b>		
Unavailable revenues:		
Pension related deferred inflows	<u>41,346</u>	<u>93,452</u>
<b>Net position</b>		
Net investment in capital assets	3,589,603	3,880,294
Restricted for:		
Park development and maintenance	62,160	62,066
Closure and postclosure care	2,463,831	2,336,904
Financial assurance dedicated fund	540,051	540,051
Unrestricted	<u>4,515,846</u>	<u>3,813,845</u>
<b>Total net position</b>	<u>\$ 11,171,491</u>	<u>10,633,160</u>

**SOLID WASTE MANAGEMENT COMMISSION  
OF MARSHALL COUNTY**

Exhibit B

**Statements of Revenues, Expenses and  
Changes in Net Position**

**Years ended June 30, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
Operating revenues:		
Gate fees	\$ 2,046,843	2,037,472
County and city assessments	168,672	168,672
Other operating revenues	9,478	12,089
Total operating revenues	<u>2,224,993</u>	<u>2,218,233</u>
Operating expenses:		
Salaries	361,956	384,953
Employee benefits	79,449	96,299
Machinery maintenance, labor and parts	92,689	50,109
Oil and gas	49,683	73,272
Long range planning and engineering	36,355	32,650
Site maintenance	165,720	55,066
Site utilities	18,548	20,064
Equipment rent	2,325	1,858
Office expenses	12,464	9,390
Training and travel	3,124	3,321
Public education	28,547	32,353
Legal and accounting	22,807	20,768
Insurance	57,196	59,227
Closure and postclosure care	54,655	104,887
Planning and recycling	234,172	228,531
Iowa Department of Natural Resources tonnage fees	119,370	118,774
Depreciation	338,344	299,314
Non-capitalized equipment	9,294	8,891
Payroll taxes	26,083	28,909
Commission expense	1,458	1,282
Retirement expense	14,137	9,918
Miscellaneous	5,012	4,685
Total operating expenses	<u>1,733,388</u>	<u>1,644,521</u>
Operating income	491,605	573,712
Non-operating revenues:		
Interest income	<u>46,726</u>	<u>40,172</u>
Change in net position	538,331	613,884
Net position beginning of year, as restated	<u>10,633,160</u>	<u>10,019,276</u>
Net position end of year	<u>\$ 11,171,491</u>	<u>10,633,160</u>

# SOLID WASTE MANAGEMENT COMMISSION OF MARSHALL COUNTY

Exhibit C

## Statements of Cash Flows Years ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Cash received from gate fees	\$ 2,055,907	2,019,261
Cash received from assessments	168,672	168,672
Cash received from other operating receipts	9,478	12,089
Cash paid to suppliers for goods and services	(916,545)	(779,624)
Cash paid to employees for services	(450,099)	(486,105)
Net cash provided by operating activities	<u>867,413</u>	<u>934,293</u>
Cash flows from capital and related financing activities:		
Purchase of capital assets	<u>(47,653)</u>	<u>(679,069)</u>
Net cash used by capital and related financing activities	<u>(47,653)</u>	<u>(679,069)</u>
Cash flows from investing activities:		
Purchase of certificates of deposit	(2,495,406)	(2,087,691)
Proceeds from redemption certificates of deposit	2,473,560	1,671,146
Purchase of restricted investments	(4,173,952)	(3,992,145)
Proceeds from redemption of restricted investments	3,992,276	3,811,465
Interest received	46,726	40,172
Net cash used by investing activities	<u>(156,796)</u>	<u>(557,053)</u>
Net increase (decrease) in cash and cash equivalents	662,964	(301,829)
Cash and cash equivalents beginning of year	<u>1,782,008</u>	<u>2,083,837</u>
Cash and cash equivalents end of year	<u>\$ 2,444,972</u>	<u>1,782,008</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>		
Operating income	\$ 491,605	573,712
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	338,344	299,314
Closure and postclosure care	54,655	104,887
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	9,064	(18,211)
(Increase) decrease in prepaid insurance	3,308	(1,952)
Increase (decrease) in accounts payable	(5,236)	(921)
Increase (decrease) in salaries and benefits payable	(8,694)	(4,853)
Increase (decrease) in pension liability	35,693	(100,205)
(Increase) decrease in deferred outflows of resources	2,901	(11,067)
Increase (decrease) in deferred inflows of resources	(52,106)	93,452
Increase (decrease) in accrued liabilities	(2,121)	137
Total adjustments	<u>375,808</u>	<u>360,581</u>
Net cash provided by operating activities	<u>\$ 867,413</u>	<u>934,293</u>

**SOLID WASTE MANAGEMENT COMMISSION  
OF MARSHALL COUNTY  
Notes to Financial Statements  
June 30, 2016 and 2015**

**(1) Summary of Significant Accounting Policies**

The Solid Waste Management Commission of Marshall County was formed pursuant to the provisions of Chapter 28E of the Code of Iowa. The purpose of the Commission is to operate the sanitary landfill in Marshall County for use by all residents of the County.

The Commission is composed of at least one representative from each of the seventeen member municipalities, except that Marshalltown shall have at least two voting representatives. The member municipalities are: Albion, Clemons, Collins, Colo, Ferguson, Gilman, Haverhill, Laurel, LeGrand, Liscomb, Marshall County, Marshalltown, Melbourne, Rhodes, St. Anthony, State Center and Whitten. Each member is entitled to one vote for each 1,500 people or fraction thereof as determined by the most recent general Federal Census.

The Commission's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

**A. Reporting Entity**

For financial reporting purposes, the Solid Waste Management Commission of Marshall County has included all funds, organizations, agencies, boards, commissions and authorities. The Commission has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Commission are such that exclusion would cause the Commission's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Commission to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Commission. The Commission has no component units which meet the Governmental Accounting Standards Board criteria.

**B. Basis of Presentation**

The accounts of the Commission are organized as an Enterprise Fund. Enterprise Funds are utilized to finance and account for the acquisition, operation and maintenance of governmental facilities and services supported by user charges.

Enterprise Funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an Enterprise Fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**SOLID WASTE MANAGEMENT COMMISSION  
OF MARSHALL COUNTY  
Notes to Financial Statements (Continued)  
June 30, 2016 and 2015**

**(1) Summary of Significant Accounting Policies (Continued)**

**C. Measurement Focus and Basis of Accounting**

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The Commission distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Commission's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position**

The following accounting policies are followed in preparing the Statements of Net Position:

Cash, Cash Equivalents and Investments – The Commission considers all short-term investments that are highly liquid to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months. Cash investments not meeting the definition of cash equivalents at June 30, 2016 and 2015 include certificates of deposit of \$6,951,795 and \$6,748,273, respectively.

Restricted Investments – Funds set aside for payment of closure and postclosure care and park development are classified as restricted.

Accounts Receivable – Accounts receivable represent amounts billed for waste disposal services at June 30, 2016 and 2015. Due to the Commission's policy to deny continued service to customers with past due bills, management believes uncollectible accounts are negligible. Therefore, no allowance for uncollectible accounts has been recorded.

Capital Assets – Capital assets are accounted for at historical cost. Depreciation of all exhaustible capital assets is charged as an expense against operations. The cost of repair and maintenance is charged to expense while the cost of renewals or substantial betterments is capitalized. The cost and accumulated depreciation of assets disposed of are deleted, with any gain or loss recorded in current operations.

**SOLID WASTE MANAGEMENT COMMISSION  
OF MARSHALL COUNTY**  
**Notes to Financial Statements (Continued)**  
**June 30, 2016 and 2015**

**(1) Summary of Significant Accounting Policies (Continued)**

**D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position (Continued)**

Reportable capital assets are defined by the Commission as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Buildings/Leachate Systems	\$ 25,000
Equipment and Vehicles	5,000
Land development	5,000
Land	5,000

Capital assets of the Commission are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings/Leachate System	30
Equipment	7 - 10
Land development	15

Interest is capitalized on qualified assets acquired with certain tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. There were no qualifying assets acquired during the years ended June 30, 2016 and 2015.

**Deferred Outflows of Resources** – Deferred outflows of resources represent a consumption of net position applicable to a future year(s) which will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the Commission after the measurement date but before the end of the Commission's reporting period.

**Compensated Absences** – Commission employees accumulate a limited amount of earned but unused sick and vacation hours for subsequent use or for payment upon termination, death or retirement. The Commission's liability for accumulated sick and vacation hours has been computed based on rates of pay in effect at June 30, 2016 and 2015.



**SOLID WASTE MANAGEMENT COMMISSION  
OF MARSHALL COUNTY  
Notes to Financial Statements (Continued)  
June 30, 2016 and 2015**

**(1) Summary of Significant Accounting Policies (Continued)**

**D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position (Continued)**

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources – Deferred inflows of resources represent an acquisition of net position applicable to a future year(s) which will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources in the Statements of Net Position consist of the unamortized portion of the net difference between projected and actual earnings on IPERS investments.

**(2) Cash, Cash Equivalents and Investments**

The Commission's deposits in banks at June 30, 2016 and 2015 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against depositories to insure there will be no loss of public funds.

The Commission is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Commission; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The Commission had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

**SOLID WASTE MANAGEMENT COMMISSION  
OF MARSHALL COUNTY**  
**Notes to Financial Statements (Continued)**  
**June 30, 2016 and 2015**

**(3) Capital Assets**

A summary of capital assets at June 30, 2016 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Capital assets not being depreciated:				
Land and improvements	\$ 750,944	—	—	750,944
Capital assets being depreciated:				
Land development costs	6,965,620	—	—	6,965,620
Buildings	255,016	—	—	255,016
Equipment and vehicles	3,062,560	47,653	—	3,110,213
Leachate system	714,482	—	—	714,482
Total capital assets being depreciated	10,997,678	47,653	—	11,045,331
Less accumulated depreciation for:				
Land development costs	4,974,011	149,481	—	5,123,492
Buildings	255,016	—	—	255,016
Equipment and vehicles	2,212,609	165,047	—	2,377,656
Leachate system	426,692	23,816	—	450,508
Total accumulated depreciation	7,868,328	338,344	—	8,206,672
Total capital assets being depreciated, net	3,129,350	(290,691)	—	2,838,659
Total capital assets, net	\$ 3,880,294	(290,691)	—	3,589,603

**(4) Pension Plan**

Plan Description – IPERS membership is mandatory for employees of the Commission, except those covered by another retirement system. Employees of the Commission are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://www.ipers.org).

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

**SOLID WASTE MANAGEMENT COMMISSION  
OF MARSHALL COUNTY  
Notes to Financial Statements (Continued)  
June 30, 2016 and 2015**

**(4) Pension Plan (Continued)**

Pension Benefits – A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month that the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

**SOLID WASTE MANAGEMENT COMMISSION  
OF MARSHALL COUNTY**  
**Notes to Financial Statements (Continued)**  
**June 30, 2016 and 2015**

**(4) Pension Plan (Continued)**

In fiscal year 2016, pursuant to the required rate, Regular members contributed 5.95% of pay and the Commission contributed 8.93% for a total rate of 14.88%.

The Commission's total contributions to IPERS for the year ended June 30, 2016 were \$28,744.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2016, the Commission reported a liability of \$246,782 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Commission's proportion of the net pension liability was based on the Commission's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2015, the Commission's proportion was 0.0049951% which was a decrease of 0.0003275% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the Commission recognized pension expense of \$15,233. At June 30, 2016, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,729	-
Changes of assumptions	6,795	-
Net difference between projected and actual earnings on IPERS investments	-	20,539
Changes in proportion and differences between Commission contributions and the proportionate share of contributions	-	20,807
Commission's contributions subsequent to the measurement date	28,744	-
Total	<u>\$ 39,268</u>	<u>41,346</u>

\$39,268 reported as deferred outflows of resources related to pensions resulting from Commission contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**SOLID WASTE MANAGEMENT COMMISSION  
OF MARSHALL COUNTY**  
**Notes to Financial Statements (Continued)**  
**June 30, 2016 and 2015**

**(4) Pension Plan (Continued)**

Year Ending June 30,	
2017	\$ (12,439)
2018	(12,439)
2019	(12,439)
2020	7,032
2021	(537)
	<u>\$ (30,822)</u>

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in this measurement:

Rate of inflation (effective June 30, 2014)	3.00% per annum.
Rate of salary increase (effective June 30, 2010)	4.00 to 17.00%, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 1990)	4.00% per annum, based on 3.00% inflation and 1.00% real wage inflation.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on IPERS' investments was determined using a building block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

**SOLID WASTE MANAGEMENT COMMISSION  
OF MARSHALL COUNTY**  
**Notes to Financial Statements (Continued)**  
**June 30, 2016 and 2015**

**(4) Pension Plan (Continued)**

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Core plus fixed income	28%	2.04%
Domestic equity	24	6.29
International equity	16	6.75
Private equity/debt	11	11.32
Real estate	8	3.48
Credit opportunities	5	3.63
U.S. TIPS	5	1.91
Other real assets	2	6.24
Cash	1	(0.71)
Total	100%	

Discount Rate – The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the Commission will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Commission's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the Commission's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the Commission's proportionate share of the net pension liability would be if it were calculated using a discount rate 1% lower (6.50%) or 1% higher (8.50%) than the current rate.

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
Commission's proportionate share of the net pension liability	\$ 432,070	\$ 246,782	\$ 90,385

IPERS' Fiduciary Net Position – Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at [www.ipers.org](http://www.ipers.org).

**SOLID WASTE MANAGEMENT COMMISSION  
OF MARSHALL COUNTY  
Notes to Financial Statements (Continued)  
June 30, 2016 and 2015**

**(4) Pension Plan (Continued)**

Payables to IPERS – At June 30, 2016, the Commission reported payables to IPERS of \$3,063 for legally required Commission contributions and \$2,041 for legally required employee contributions withheld from employee wages which had not yet been remitted to IPERS.

**(5) Closure and Postclosure Care**

To comply with federal and state regulations, the Commission is required to complete a monitoring system plan and a closure/postclosure care plan and to provide funding necessary to effect closure and postclosure care, including the proper monitoring and care of the landfill after closure. Environmental Protection Agency (EPA) requirements have established closure and thirty-year postclosure care requirements for all municipal solid waste landfills that receive waste after October 9, 1993. State governments are primarily responsible for implementation and enforcement of those requirements and have been given flexibility to tailor requirements to accommodate local conditions that exist. The effect of the EPA requirement is to commit landfill owners to perform certain closing functions and postclosure monitoring functions as a condition for the right to operate the landfill in the current period. The EPA requirements provide that when a landfill stops accepting waste, it must be covered with a minimum of twenty-four inches of earth to keep liquid away from the buried waste. Once the landfill is closed, the owner is responsible for maintaining the final cover, monitoring ground water and methane gas, and collecting and treating leachate (the liquid that drains out of waste) for thirty years.

Governmental Accounting Standards Board Statement No. 18 requires landfill owners to estimate total landfill closure and postclosure care costs and recognize a portion of these costs each year based on the percentage of estimated total landfill capacity used that period. Estimated total costs consists of four components: (1) the cost of equipment and facilities used in postclosure monitoring and care, (2) the cost of final cover (material and labor), (3) the cost of monitoring the landfill during the postclosure period and (4) the cost of any environmental cleanup required after closure. Estimated total cost is based on the cost to purchase those services and equipment currently and is required to be updated annually for changes due to inflation or deflation, technology, or applicable laws or regulations.

These costs for the Commission have been estimated at \$3,884,400 for closure care and \$64,800 and \$1,272,000 for postclosure care for Area A and Area B, respectively, for a total of \$5,221,200 as of June 30, 2016, and the portion of the liability that has been recognized is \$1,638,503. These amounts are based on what it would cost to perform all closure and postclosure care during the year ended June 30, 2016. Actual costs may be higher due to inflation, changes in technology or changes in regulations. During the years ended June 30, 2016 and 2015, the total amount of waste disposed of at the facility was 36,173 and 35,992 tons, respectively, and the estimated remaining capacity of the landfill at June 30, 2016 was 2,411,346 tons.

**SOLID WASTE MANAGEMENT COMMISSION  
OF MARSHALL COUNTY  
Notes to Financial Statements (Continued)  
June 30, 2016 and 2015**

**(5) Closure and Postclosure Care (Continued)**

Chapter 455B.306(9)(b) of the Code of Iowa requires permit holders of municipal solid waste landfills to maintain separate closure and postclosure care accounts to accumulate resources for the payment of closure and postclosure care costs. The Commission has begun accumulating resources to fund these costs and, at June 30, 2016, assets of \$4,102,334 are held for these purposes. The Board has also designated \$540,051 in other investments to the financial assurance dedicated fund for closure and postclosure care. They are reported as restricted investments and restricted net position on the Statements of Net Position.

Also, pursuant to Chapter 567-113.14(8) of the Iowa Administrative Code (IAC), since the estimated closure and postclosure care costs are not fully funded, the Commission is required to demonstrate financial assurance for the unfunded costs. The Commission has adopted the dedicated fund financial assurance mechanism. Under this mechanism, the Commission must certify the following to the Iowa Department of Natural Resources:

- The fund is dedicated by local government statute as a reserve fund.
- Payments into the fund are made annually over a pay-in period of ten years or the permitted life of the landfill, whichever is shorter.
- Annual deposits to the fund are determined by the following formula:

$$NP = \frac{CE - CB}{Y}$$

NP = next payment

CE = total required financial assurance

CB = current balance of the fund

Y = number of years remaining in the pay-in period

Chapter 567-113.14(8) of the IAC allows the Commission to choose the dedicated fund mechanism to demonstrate financial assurance and use the accounts established to satisfy the closure and postclosure care account requirements. Accordingly, the Commission is not required to establish closure and postclosure care accounts in addition to the accounts established to comply with the dedicated fund financial assurance mechanism.

**(6) Solid Waste Tonnage Fees Retained**

The Commission has established an account for restricting and using solid waste tonnage fees retained by the Commission in accordance with Chapter 455B.310 of the Code of Iowa.

At June 30, 2016 and 2015, the Commission had no unspent amounts retained and restricted for the required purposes.



**SOLID WASTE MANAGEMENT COMMISSION  
OF MARSHALL COUNTY  
Notes to Financial Statements (Continued)  
June 30, 2016 and 2015**

**(7) Risk Management**

The Commission is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 746 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public official's liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual casualty operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of basis rate.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The Commission's property and casualty contributions to the Pool are recorded as disbursements from its operating funds at the time of payment to the Pool. The Commission's contributions to the Pool for the years ended June 30, 2016 and 2015 were \$17,301 and \$17,524, respectively.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the Commission's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the Commission's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the Commission's risk-sharing certificate, or in the event of a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred.

**SOLID WASTE MANAGEMENT COMMISSION  
OF MARSHALL COUNTY**  
**Notes to Financial Statements (Continued)**  
**June 30, 2016 and 2015**

**(7) Risk Management (Continued)**

The Commission does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2016, no liability has been recorded in the Commission's financial statements. As of June 30, 2016, settled claims have not exceeded the risk pool of reinsurance coverage since the Pool's inspection.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

The Commission also carries commercial insurance purchased from other insurers for coverage associated with worker's compensation in the amount of \$1,000,000. The Commission assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(8) Recyclable Materials Processing, White Goods Recycling and Public Education Agreements**

The Commission entered into a recycling agreement with MIW, Inc. (the Company). The agreement is for the purpose of reducing the amount of tonnage entering the Commission's landfill operation and provides for payment of an amount per ton for the processing of recyclables at a processing facility maintained by the Company. The agreement is for a period of six years beginning January 1, 2016 and the formula used to calculate the processing fee will be reviewed annually. The amount paid to the Company for the years ending June 30, 2016 and 2015 was \$182,103 and \$176,787, respectively.

The Commission has entered into an agreement with A-Line Iron & Metals to provide for the legal and safe removal, processing, and disposal of white goods (appliances) brought to the landfill. The initial contract is for a period of one year beginning March 1, 2016, and the cost of removal is \$1 per appliance.

The Commission also enters into an annual agreement with Iowa Valley Community College District (IVCCD) to provide financial support for a part-time position whose purpose is to provide waste and recycling education in the Commission's service area.

**SOLID WASTE MANAGEMENT COMMISSION  
OF MARSHALL COUNTY**  
**Notes to Financial Statements (Continued)**  
**June 30, 2016 and 2015**

**(9) Accounting Change/Restatement**

Governmental Accounting Standards Board Statement No. 18 requires landfill owners to estimate total landfill closure and postclosure care costs and recognize a portion of these costs each year based on the percentage of estimated total landfill capacity used that period. An error in the calculation of the estimated closure and postclosure liability at June 30, 2015 was discovered. Beginning net position was restated to reflect this change, as follows:

	<u>Net Position</u>
Net position June 30, 2015, as previously reported	\$ 11,459,611
Change to closure and postclosure liability at June 30, 2015	<u>(826,451)</u>
Net position July 1, 2016, as restated	<u>\$ 10,633,160</u>

**(10) Date of Management Evaluation**

Management has evaluated subsequent events through November 10, 2016, the date on which the financial statements were available to be issued.

## Required Supplementary Information

# SOLID WASTE MANAGEMENT COMMISSION OF MARSHALL COUNTY

## Schedule of the Commission's Proportionate Share of the Net Pension Liability Iowa Public Employees' Retirement System

For the Last Two Years\*

### Required Supplementary Information

	<u>2016</u>	<u>2015</u>
Commission's proportion of the net pension liability	0.0049951 %	0.0053226 %
Commission's proportionate share of the net pension liability	\$ 246,782	211,089
Commission's covered-employee payroll	\$ 342,210	349,288
Commission's proportionate share of the net pension liability as a percentage of its covered-employee payroll	72.11 %	60.43 %
IPERS' net position as a percentage of the total pension liability	85.19 %	87.61 %

\* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding year.

**SOLID WASTE MANAGEMENT COMMISSION  
OF MARSHALL COUNTY**

Schedule of Commission Contributions  
Iowa Public Employees' Retirement System  
For the Last Ten Years  
Required Supplementary Information

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Statutorily required contribution	\$ 28,744	30,559	31,191	30,829
Contributions in relation to the statutorily required contribution	<u>(28,744)</u>	<u>(30,559)</u>	<u>(31,191)</u>	<u>(30,829)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
Commission's covered-employee payroll	\$ 321,881	342,210	349,288	355,588
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.93%	8.67%

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
27,755	23,325	21,394	20,519	18,904	17,507
<u>(27,755)</u>	<u>(23,325)</u>	<u>(21,394)</u>	<u>(20,519)</u>	<u>(18,904)</u>	<u>(17,507)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
343,928	335,615	321,721	323,130	312,466	304,475
8.07%	6.95%	6.65%	6.35%	6.05%	5.75%

**SOLID WASTE MANAGEMENT  
COMMISSION OF MARSHALL COUNTY  
Notes to Other Information - Pension Liability  
Years Ended June 30, 2016 and 2015**

*Changes in benefit terms:*

Legislation enacted in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

Legislative action in 2008 transferred four groups - emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers - from Regular membership to the protection occupation group for future service only.

*Changes of assumptions*

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate in the calculation of the UAL amortization payments.





C E R T I F I E D   ♦   P U B L I C   ♦   A C C O U N T A N T S

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Independent Auditors' Report on Internal Control  
over Financial Reporting and on Compliance and Other Matters  
Based on Audits of Financial Statements Performed in Accordance with  
Government Auditing Standards

To the Members of the Solid Waste Management  
Commission of Marshall County:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the Solid Waste Management Commission of Marshall County as of and for the years ended June 30, 2016 and 2015, and the related Notes to Financial Statements, and have issued our report thereon dated November 10, 2016.

Internal Control Over Financial Reporting

In planning and performing our audits of the financial statements, we considered the Solid Waste Management Commission of Marshall County's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Solid Waste Management Commission of Marshall County's internal control. Accordingly, we do not express an opinion on the effectiveness of the Solid Waste Management Commission of Marshall County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified a deficiency in internal control we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the Solid Waste Management Commission of Marshall County's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in the Solid Waste Management Commission of Marshall County's internal control described in the accompanying Schedule of Findings as item (A) to be a material weakness.

A significant deficiency is a deficiency or combination of deficiencies in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We did not identify any deficiencies in internal control over financial reporting that we consider to be significant deficiencies, as defined above.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Solid Waste Management Commission of Marshall County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the Commission's operations for the years ended June 30, 2016 and 2015 are based exclusively on knowledge obtained from procedures performed during our audits of the financial statements of the Commission. Since our audits were based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

#### Solid Waste Management Commission of Marshall County's Responses to Findings

The Solid Waste Management Commission of Marshall County's response to the finding identified in our audit is described in the accompanying Schedule of Findings. The Solid Waste Management Commission of Marshall County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

#### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing on internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Commission's internal control or on compliance. This report is an integral part on an audit performed in accordance with Government Auditing Standards in considering the Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Solid Waste Management Commission of Marshall County during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Bowman and Miller, P.C.*

November 10, 2016

# **SOLID WASTE MANAGEMENT COMMISSION OF MARSHALL COUNTY**

## **Schedule of Findings Years ended June 30, 2016 and 2015**

### **Findings Related to the Financial Statements:**

#### **INTERNAL CONTROL DEFICIENCIES:**

- (A) Segregation of Duties – An important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Due to a limited number of personnel performing accounting functions, the Commission does not have adequate segregation of duties over accounting transactions. As a result of this condition, there is a higher risk that errors or misappropriations could occur and not be detected within a timely period.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the Commission should review its operating procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff or Board members.

Response – Due to the limited number of office employees, segregation of duties is very difficult. We will consider ways to mitigate the lack of segregation of duties wherever possible.

Conclusion – Response accepted.

#### **INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

### **Other Findings Related to Required Statutory Reporting:**

- (1) Questionable Expenses – No expenses we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- (2) Travel Expense – No expenditures of money for travel expenses of spouses of Commission officials or employees were noted.
- (3) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa were noted.
- (4) Solid Waste Tonnage Fees Retained – No instances of non-compliance with the solid waste fees used or retained in accordance with provisions of Chapter 455B.310 of the Code of Iowa were noted.

# SOLID WASTE MANAGEMENT COMMISSION OF MARSHALL COUNTY

## Schedule of Findings (Continued) Years ended June 30, 2016 and 2015

- (5) Board Minutes – No transactions were found that we believe should have been approved in the Commission's minutes but were not.

However, the Commission entered into closed session on August 18, 2015, and the minutes did not cite the code section or document a roll call vote as required by Chapter 21 of the Code of Iowa.

Recommendation – The Commission should site the code section and take a roll call vote when entering into a closed session to comply with Chapter 21 of the Code of Iowa.

Response – This recommendation will be followed at future Commission meetings.

Conclusion – Response accepted.

- (6) Financial Assurance – The Commission has demonstrated financial assurance for closure and postclosure care by establishing a local government dedicated fund as provided in Chapter 567-113.14(6) of the Iowa Administrative Code. The calculation is made as follows:

Total estimated costs for closure and postclosure care	\$ 5,221,200
Less: Balance of funds held in the local dedicated fund at June 30, 2015	<u>(4,460,803)</u>
	760,397
Divided by the number of years remaining in the pay-in period (rounded)	÷ <u>68.00</u>
Required payment into the local dedicated fund for the year ended June 30, 2016	11,182
Balance of funds held in the local dedicated fund at June 30, 2015	<u>4,460,803</u>
Required balance of funds to be held in the local dedicated fund at June 30, 2016	\$ <u>4,471,985</u>
Amount Commission has restricted for closure and postclosure care at June 30, 2016:	
Restricted Trust Fund	4,102,334
Board designated funds held in local dedicated fund	<u>540,051</u>
	\$ <u>4,642,385</u>

**SOLID WASTE MANAGEMENT COMMISSION  
OF MARSHALL COUNTY**

**Staff**

This audit was performed by:

BOWMAN & MILLER, P.C.  
Certified Public Accountants  
Marshalltown, Iowa

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